

## Message Text

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46

ORIGIN XMB-04

INFO OCT-01 EA-10 ISO-00 EB-07 AGR-10 AID-05 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 TRSE-00 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 STR-04 /065 R

66603

DRAFTED BY: XMB:M. CLAPP

APPROVED BY: EB/OCA/REP:EMCKEON

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WARREN W. GLICK

EB/IFD/ODF:RASWART

EA/IMS/ADORNHEIM

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R 241417Z MAR 75

FM SECSTATE WASHDC

TO AMEMBASSY JAKARTA

INFO AMCONSUL MEDAN

AMCONSUL SURABAYA

AMCONSUL HONG KONG

UNCLAS STATE 065580

E.O. 11652:N/A

TAGS: BEXP, ID

SUBJECT: REPORTED MODIFICATION U.S./EXIMBANK TERMS

REF: JAKARTA 2760

1. ON FEBRUARY 27, CHAIRMAN CASEY ANNOUNCED THAT EXIMBANK WOULD INCREASE THE RANGE WITHIN WHICH IT WOULD EXTEND DIRECT CREDITS FROM 30 PER CENT TO 55 PER CENT OF THE EXPORT PRICE INSTEAD OF THE EARLIER RANGE OF 30 PER CENT TO 45 PER CENT. HE ALSO STATED WHERE THERE IS NO DIRECT CREDIT THE BANK MIGHT GUARANTEE AS MUCH AS 85 PER CENT OF THE TRANSACTION. THE PURPOSE IN THESE CHANGES IS TO PROVIDE THE BANK WITH GREATER FLEXIBILITY IN ORDER TO MEET FOREIGN COMPETITION AND TO WORK OUT A SATISFACTORY FINANCING PACKAGE. THE BANK, HOWEVER, STILL MUST SATISFY ITSELF  
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ON THE AMOUNT OF RISK IT IS WILLING TO ASSUME--WHETHER IN THE FORM

OF CREDIT OR GUARANTEE--AND HOW MUCH OF BOTH IS NEEDED IN A PARTICULAR CASE.

2. EXIMBANK SEES NO EVIDENCE THAT IT MUST GUARANTEE THE INDONESIAN PROJECTS WHICH HAVE BEEN SUBMITTED TO THE BANK. THE ONLY PROBLEM THE GOI SEEMS TO BE HAVING IS RAISING THE MATCHING FUNDS AT NO MORE THAN A 1-1/2 PER CENT SPREAD. EXIMBANK BELIEVES THAT ITS COMMITMENT, LAST OCTOBER, TO LEND 40 PER CENT OF THE U.S. CONTENT ON INDONESIA TRANSACTIONS, WHEN MOST LOANS WERE BEING MADE AT 30 PER CENT OF THE U.S. CONTENT, WAS AN EARLY STEP IN PROVIDING THE GREATER FLEXIBILITY MENTIONED ABOVE AND IS STILL SATISFACTORY.

3. THE COMMERCIAL BANK GUARANTEE PROGRAM IS USED FOR THE SALE OF CAPITAL EQUIPMENT SOLD ON TERMS FROM 1 TO 5 YEARS AND GENERALLY COVERS AMOUNTS UNDER \$5,000,000 WITH THE INTEREST RATE TIED TO U.S. PRIME. GENERALLY THE RATE IS PRIME PLUS 1 PLUS THE GUARANTEE FEE WHICH IN THE CASE OF INDONESIA AVERAGES ABOUT 4 PER CENT OF THE FINANCED PORTION IN ADVANCE AS A ONE TIME CHARGE. WITH THE GOI AS OBLIGOR OR GUARANTOR EXIMBANK WOULD CONSIDER APPLICATIONS UNDER THIS PROGRAM FROM ANY COMMERCIAL BANK IN THE COMMERCIAL BANK PROGRAM.

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
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**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
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**Status:** NATIVE  
**Subject:** REPORTED MODIFICATION U.S./EXIMBANK TERMS  
**TAGS:** BEXP, ID  
**To:** JAKARTA  
**Type:** TE  
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